



**56th
Annual Report
2001**



The Premier Automobiles Ltd.

**BOARD OF DIRECTORS**

Vinod L. Doshi
Executive Chairman

Arvind R. Doshi
Vice Chairman

Jyotindra M. Vakil

Pravinchandra V. Gandhi

Chakor L. Doshi

Maitreya V. Doshi
Managing Director

Sharayu Daftary (Smt.)

V. Ramakrishnan

L. Krishnamoorthy
*Vice President &
Company Secretary*

REGISTERED OFFICE

Lal Bahadur Shastri Marg,
Kurla, Mumbai 400 070.

Email : premierauto@vsnl.com

FACTORY

Chinchwad, Pune 411 019

BANKERS

Bank of India
Dena Bank
Bank of Baroda

SOLICITORS

M/s Little & Co.

AUDITORS

K. S. Aiyar & Co.

SHARE TRANSFER AGENT

Intime Spectrum Registry Pvt. Ltd.
260, Shanti Industrial Estate
Sarojini Naidu Road, Mulund (West)
Mumbai – 400 080

Phone No. : 5923837 (10 Lines)

Fax No. : 5672693

E-mail : isrl@vsnl.com

56th Annual General Meeting

Day & Date:
Friday, the 28th June, 2002.

Venue :
Patkar Hall, SNDT Women's University,
1, Nathibai Thackersey Road,
Mumbai - 400 020.

Time : 10.30 a.m.

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**NOTICE**

NOTICE is hereby given that the FIFTYSIXTH ANNUAL GENERAL MEETING of THE PREMIER AUTOMOBILES LIMITED will be held at Patkar Hall, SNT Women's University, 1, Nathibai Thackersey Road, Mumbai - 400 020, on Friday, the 28th June, 2002, at 10.30a.m., to transact the following business:

1. To receive and adopt the Directors' Report, the Audited Profit & Loss Account for the year ended on 31st December, 2001 and the Balance Sheet as at that date.
2. To appoint a Director in place of Shri Chakor L. Doshi, who retires by rotation and being eligible, offers himself for reappointment.
3. To appoint a Director in place of Smt. Sharayu Daftary, who retires by rotation and being eligible, offers herself for reappointment.
4. To consider and, if thought fit, to pass with or without modification, the following resolutions as Ordinary Resolutions :
 - (a) "RESOLVED THAT M/s K.S. Aiyar & Co., Chartered Accountants be and are hereby reappointed Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company on such remuneration as may be mutually agreed upon between the Board of Directors and the Auditors and they be paid in addition any out of pocket and/or travelling expenses they may incur in carrying out their duties as such Auditors."
 - (b) "RESOLVED THAT M/s. K.S. Aiyar & Co. be and are hereby also reappointed to examine and audit the accounts of the Company's Machine Tool Division at Chinchwad, Pune, for the financial year ending on 31st December, 2002, on such remuneration as may be mutually agreed

upon between the Board of Directors and the said Auditors and they be paid in addition any out of pocket and/or travelling expenses they may incur in carrying out their duties as such Auditors."

SPECIAL BUSINESS

5. To consider and, if thought fit, to pass with or without modification, the following resolution as an Ordinary Resolution:

"RESOLVED THAT in accordance with the provisions of sections 198, 269, 309 and Schedule - XIII and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or reenactment thereof for the time being in force), the Company hereby accords its consent and approval to the reappointment of Shri Vinod L. Doshi as the Executive Chairman of the Company, for a period of five years from 1st August, 2001 to 31st July, 2006, upon such terms and conditions (including the remuneration to be paid in the event of loss or inadequacy of profits in any financial year during the aforesaid period), as set out in the draft agreement placed before this meeting and initialled by the Chairman for the purpose of identification, which Agreement is hereby specifically sanctioned with liberty to the Directors to alter and vary the terms and conditions of the said reappointment and/or agreement so as not to exceed the limits specified in Schedule-XIII to the Companies Act, 1956, including any statutory modification or reenactment thereof for the time being in force or any amendments thereto that the central government may make from time to time and that the Board of Directors of the Company be and is hereby authorized to enter into an agreement with Shri Vinod L. Doshi in terms of the said draft of the agreement with such modifications as may be agreed to and acceptable to the Board of Directors and Shri Vinod L. Doshi.



"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to take such steps as may be necessary, proper or expedient to give effect to the foregoing resolution."

NOTES:

- (a) **A MEMBER ENTITLED TO ATTEND AND VOTE IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY.**

The instrument appointing a proxy and the Power of Attorney, if any, under which it is signed, should be deposited at the registered office of the Company not less than 48 hours before the time for holding the Annual General Meeting.

- (b) The explanatory statement pursuant to Section 173 of the Companies Act, 1956, in respect of the business under item 5 set out above is annexed hereto.
- (c) The Register of Members and Share Transfer Books will remain closed from Friday, the 3rd May, 2002 to Wednesday, the 15th May, 2002 (both days inclusive).

By Order of the Board

L. Krishnamoorthy,
Vice President & Company Secretary

Registered Office:

Lal Bahadur Shastri Marg
Kurla
Mumbai - 400 070
Date: 28th March, 2002.

EXPLANATORY STATEMENT

As required by Section 173 of the Companies Act, 1956.

ITEM NO.5:

The shareholders, at the 54th Annual General Meeting held on 16th May, 2000, approved reappointment and payment of remuneration to Shri Vinod L. Doshi as the Executive Chairman for a period of five years from 1st August, 1999 to 31st July, 2004. This appointment was subject to the approval of the central government. The central government, while approving the reappointment and payment of remuneration, as approved by the shareholders, approved his reappointment upto 31st July, 2001. In view of his vast industrial and managerial experience, the Board of Directors considered it desirable that the Company should continue to avail of the services of Shri Vinod L. Doshi as the Executive Chairman. Accordingly, the Board, at its meeting held on 31st July, 2001, has reappointed Shri Vinod L. Doshi as the Executive Chairman for a further period of five years from 1st August, 2001. The remuneration payable to him would be the same he was drawing upto 31st July, 2001, which is as under:

1) Salary	Rs.50,000 per month
2) Perquisites	Rs.4,50,000 per annum

Perquisites consist of:-

Housing : The Company shall provide furnished accommodation to the Chairman. In case no accommodation is provided by the Company, he shall be entitled to house rent allowance. He shall also be entitled to house maintenance allowance together with utilities therefor such as gas, electricity, water, furniture, furnishings and repairs.

Medical : Reimbursement of medical expenses incurred for self and family, subject to the ceiling



of one month's salary per year or 5 months' salary for a period of 5 years.

Leave travel : For self and family once in a year, as per rules of the Company.

Club fees : Fees of two clubs

Medical Accident Insurance : Hospitalization and Domiciliary Hospitalization Benefit Policy and Personal Accident Insurance

For the purpose of calculating the ceiling, perquisites shall be evaluated as per Income-tax Rules.

'Family' means the spouse, dependant children and dependant parents.

3) In addition to above perquisites, Chairman shall also be entitled to the following benefits. These benefits will not be included in the computation of ceiling on perquisites :

Company's contribution towards Provident Fund and Superannuation or Annuity Fund : As per rules of the Company.

Gratuity : Gratuity is payable as per rules of the Company

Earned Privilege Leave : As per rules of the Company

Encashment of leave : Leave accumulated but not availed of during the tenure, will be allowed to be encashed.

Car : Provision of Company's car with driver.

Telephone : Free telephone facility at residence.

4) **Commission :** Such remuneration by way of commission calculated with reference to the net profit of the Company in a financial year as may be determined by the Board of Directors of

the company at the end of the each financial year, subject to ceilings stipulated in Sections 198 and 309 of the Companies Act, 1956.

5) In the event of loss or inadequacy of profits in any financial year, the Chairman shall be paid the remuneration, perquisites and the benefits mentioned respectively at (1), (2) and (3) above.

The Board commend to the shareholders the resolution for their approval.

Apart from Shri Vinod L. Doshi, Shri Maitreya Doshi, Shri Chakor L. Doshi & Smt. Sharayu Daftary being relatives, may be deemed to be interested in the resolution. None of the other directors is concerned or interested in the resolution. The draft agreement between the Company and Shri Vinod L. Doshi is available at the registered office for inspection of the members on week days between 11.00 a.m. to 1.00 p.m.

By Order of the Board

L. Krishnamoorthy,
Vice President &
Company Secretary



DIRECTORS' REPORT

To The Members

The Directors present the fifty-sixth annual report of the Company and the audited statement of accounts for the year ended on 31st December, 2001.

	This year (Rs. in lakhs)	Previous year (Rs. in lakhs)
OPERATING RESULTS		
Profit/(loss) before depreciation	(979.20)	374.16
Less: Depreciation	124.52	214.13
Profit (Loss) for the year	<u>(1103.72)</u>	<u>160.03</u>
Add: Surplus brought forward from last year	1433.63	1098.60
Transferred from Investment	-	175.00
Allowance Reserve (On expiry of statutory period)	-	-
Surplus available for appropriation	<u>329.91</u>	<u>1433.63</u>
APPROPRIATIONS		
Balance carried to balance sheet	<u>329.91</u>	<u>1433.63</u>

The loss for the year Rs. 1,103.72 lacs has been arrived at after making provision for diminution in the value of investments, amounting to Rs.655.97 lacs in PAL-Peugeot Ltd. (PPL) and PAL-Credit & Capital Ltd. Loss incurred during the year on disposal and provision made during the year for expected loss on further disposal of Padmini car inventories, the production of which has been suspended, amounting to Rs.452.60 lacs, has been provided in the accounts. The Company has also written back unclaimed old liabilities to the extent of Rs.1,219.35 lacs. The net effect is Rs.4.58 lacs, compared to Rs.1,141.82 lacs in the previous year. The Company has also not transferred any further of its real estates to stock-in-trade in the current year, which amounted to Rs.7,363.56 lacs last year. As a consequence of the investment diminution and inventory provisions, the quality of the networth has substantially improved and these assets are valued realistically.

OPERATING HIGHLIGHTS**a) Auto Division:**

During the year, it has been observed that there is practically

no demand for new taxis due to the saturated taxi market, hardships faced by the taxi operators, non-availability of fuel and difficulty for filling CNG. The taxi operators continue to resort to buying second hand untested vehicles fitted with reconditioned engines and CNG kits to replace their old vehicles due to the lower capital cost due to reduced demand, although the Company's new petrol vehicles, which when fitted with CNG meet Bharat-II emission norms, are readily available for sale.

In the present scenario, the Company has proactively decided to discontinue the Premier Padmini taxi model. Of the 83 vehicles in stock on 1st January, 2001, the Company has disposed 55 vehicles as of this report date and the balance 28 vehicles are in the process of being cleared. In spite of low offtake of vehicles for taxi trade from the Company, no other manufacturer could succeed in penetrating Mumbai taxi market, evidencing the structural weakness in existing demand.

b) Light-utility Vehicle Project

The Company's Light-utility Vehicle Project is progressing



satisfactorily. As of 31st December, 2001, the Company has incurred an expenditure of Rs.240 lacs on the project, comprising R&D expenses, payment of first instalment of technical fee to CMC, import of tool aids, jigs, and development costs. The Company expedited the localization of engine parts and has achieved a localization of about 60% in terms of value. The Company has also received the Type Approval Certificate from the Automobiles Research Association of India, Pune (ARAI), on 13th February, 2002, both for the Van as well as the Pick-up versions of the vehicle which easily meet Bharat Stage-I & II emission standards.

The members were informed in the last report that discussions were in progress with ICICI Ltd., to work out the modalities for implementation of the project at the Dombivli plant of PAL-Peugeot Ltd. (PPL) and its consequent rehabilitation. During the year, several discussions were held with ICICI Ltd. and other financial institutions, who are debentureholders of PPL. However, no meeting ground could be found with the financial institutions on certain issues like corporate guarantee and repayment schedules, despite the financial institutions not having to put in any additional funds for the revival and the Company taking the full responsibility for the commercial risk of the project. Consequently, the Company has reorganized itself to implement the project at its Machine Tool Division at Chinchwad, Pune. Necessary facilities are being created and as many leading automobile companies like Telco, Bajaj Auto, Bajaj Tempo, etc., as well as a well developed vendor base are located in Chinchwad, these should, in fact, be advantageous for the project. Barring unforeseen circumstances, the Company hopes to launch the vehicles by May-June, 2002.

The Company proposes to produce about 10,000 vehicles in the first 12 months. In view of the proposed low cost investment in the Project, the Company hopes to achieve break-even in the first 12 months itself and payback within the second year itself. The funds required for capital expenditure for this project, are expected to be sourced from development of real estate.

c) Development of real estate

During the year, the Company has entered into a Development Agreement with a leading developer in Mumbai city for development of the Company's residential land at Kurla. The

Company received a notice from the Collector, Mumbai Suburban District, Mumbai, demanding 50% of the unearned income out of sale proceeds of the property. At the request of the Company, a personal hearing took place on 22nd October, 2001, when the Company clarified the position that it has inalienable right to transfer the residential land at Kurla, even as per government's own records. Notwithstanding the overwhelming evidence submitted by your Company to the Collector, the Collector passed an Order raising the provisional demand of Rs.25.5 crores being the unearned income on the alleged ground that the Company has sold its residential land for Rs.51 crores. Consequent on the issue of the Order, the development work has been held in abeyance. Against this Order, the Company has filed an appeal before the Appellate Authority under the Maharashtra Land Revenue Code. The Company has been legally advised by eminent counsel that prima facie the Company has a strong case and that the demand raised by the Collector is not sustainable. Notwithstanding this, the Company has agreed to pay an amount of Rs.4.5 crores to the Collector under protest, which would be refundable with interest on the Company succeeding in its appeal against the Collector's Order. This step is taken purely with a view to carry on the development work, which is kept in abeyance. This proposal of the Company is under consideration of the State Government and the Company expects to receive favourable order shortly.

With regard to the Company's agreement for development of its surplus residential land at the Company's Machine Tool Division at Chinchwad, Pune, the Company has signed a Memorandum during the year, as informed in the last report. Since the development of this land at Chinchwad requires government approval, the Company is vigorously following the issue with the Government of Maharashtra, Revenue Department. Favourable orders from the Government of Maharashtra are expected shortly. After completion of all formalities, the Company would receive the balance payment of Rs.975 lacs.

d) Machine Tool Division

The recession in the engineering industry combined with tight financial conditions faced by the end users of your Company's machine tools, impacted the demand. However, in some sectors, especially in automobiles, the situation started slowly improving. Despite this unfavourable situation, during the year under review, the Company's machine tool division has been able to achieve a sales turnover of Rs.29.88 crore



as against Rs.25.33 crore during the corresponding previous period, recording a growth of about 17%.

Machine Tool Division of the Company has completed design and development of various customized machine tools like vertical machining centre, horizontal machining centre and fine boring special purpose machine. Depending upon the customers' feedback, many improvements in the machine tools have been carried out.

DIVIDEND

The Directors do not recommend dividend for the year ended on 31st December, 2001, in view of operational loss incurred.

HUMAN RESOURCE DEVELOPMENT

a) Training

There is continuous emphasis on training with 16 programmes on various related subjects like self-inspection, changed industrial relations, CNC machine programming, hyd/pneumatic piping, elect. logic assy., laser calibration, CNC machine operation, coolant filtration, financial investments, ISO procedures, communication development, industrial safety and fire fighting, at the Machine Tool Division. Joint participation forum activities such as, quality circle, quality improvement teams and suggestion schemes as well as training sessions on employee health and management in relief funds, education and hospitalization and quality education, were conducted.

b) Industrial Relations

The industrial relations at the Company's Machine Tool Division continue to be cordial and peaceful.

c) Safety

The Company emphasizes on safety and has an integrated safety and health policy. The Machine Tool Division celebrated a Safety Week from 4th March, 2001 to 11th March, 2001 and has been continuously granted the "Consent to Operate" under the Water Act, 1979, Air Act, 1981 and Hazardous Waste Rules 1989, by Maharashtra Pollution Control Board.

d) QA operations

The Bureau Veritas Quality International (BVQI) renewed the Machine Tool Division, Chinchwad, ISO 9001 certification for three years from December, 24, 1999. MTDC would shortly apply for achieving certification for

revised ISO-9001 : 2000 series standard.

DIRECTORS' RESPONSIBILITY STATEMENT AS REQUIRED UNDER SECTION 217(2AA)

The Directors state that –

- (i) in the preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (ii) the directors had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year covered under this Report and of the profit of the Company for the year;
- (iii) the directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- (iv) the directors had prepared the annual accounts on a going concern basis.

CORPORATE GOVERNANCE

Although Corporate Governance becomes applicable to the Company only by 31st March, 2002, as reported last year, the Company appointed the Audit Committee, the Shareholders/Investors Grievance Committee and the Remuneration Committee.

The full details, relating to Corporate Governance, as per Clause-49 of the Listing Agreement, would be furnished in the Annual Report for the Company's financial year ending on 31st December, 2002.

LISTING OF THE COMPANY'S SHARES

The Company's shares are continued to be listed in the Bombay Stock Exchange and the National Stock Exchange of India Ltd. and the Company has paid listing fees for the financial year 2001-2002.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956 and Articles of Association of the Company, Shri Chakor



L. Doshi and Smt. Sharayu Daftary retire by rotation at the 56th AGM..

CONSERVATION OF ENERGY TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS & OUTGO.

The required details are furnished in the Annexure-A to this report.

General shareholder information is given in Annexure-B.

PARTICULARS OF EMPLOYEES

As there are no employees who are in receipt of remuneration, exceeding the limits prescribed, the statement as required under Section 217(2A) of the Companies Act, 1956, read with Companies (Particulars of employees) Rules, 1975, is not annexed.

AUDITORS

The Members are requested to appoint auditors to hold office from the conclusion of the annual general meeting until the conclusion of the next annual general meeting of the Company and fix their remuneration. M/s K.S. Aiyar & Co. have, under Section 224(1) of the Companies Act, 1956, furnished the certificate of their eligibility for reappointment.

AUDITORS' OBSERVATIONS IN THE REPORT

With reference to the observations of Auditors in Paragraph-2(f) of their report, the progress achieved in the development of real estate has been elaborated in this report under "Development of Real Estate" and in Note No.6 to the accounts. As regards the observations of the Auditors in Paragraph-2(g) of their report, the reconciliation of the dealers' accounts is a on-going process. Substantial progress has been made in this regard during the year, thereby the debit balance of the dealers (receivables), under reconciliation, is reduced from Rs.2,137.89 lacs previous year to Rs.581.00 lacs this year. Similarly, the credit balance of the dealers (advance and deposits received), under reconciliation, is also reduced from Rs.1,209.60 lacs previous year to Rs.747.78 lacs this year. The Company expects to complete the pending reconciliation of the dealers' accounts during the current financial year.

With reference to the Paragraph-17 in the Annexure to the Auditors' Report regarding delay in depositing the provident fund, employees' pension fund, employees' state insurance dues, it is clarified that there was delay in payment of the dues in some months due to temporary liquidity constraints. However, these dues have since been paid.

On behalf of the Board of Directors

Vinod L. Doshi

Chairman

Date: 28th March, 2002

Mumbai

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ANNEXURE-ADIRECTORS' REPORT

(Additional information given in terms of Notification 1029 of 31st December, 1988, issued by the Department of Company Affairs)

A) CONSERVATION OF ENERGY

Following proposals on conservation of energy have been taken up by Energy Conservation Committee:

- Installation of energy efficient tube lights for MTDC plant
- Installation of metal halide lamps for security lighting and canteen lighting for energy conservation.

B) TECHNOLOGY ABSORPTION

Absorption of Imported Technology (Imported during the last 5 years reckoned from the beginning of the financial year)

- Nil

Research & Development

- Development of new CNC machines, accessories, attachments and Special Purpose Machines.

Benefits derived as a result of above R&D efforts

- Customer need fulfilment for Indian Engineering and Auto Industries.
- Productivity improvement and sophistication.
- State-of-art technology development.
- Improving exports through incorporating CE marking features in the designs of machinery.

Expenditure on R&D during the year 2001**Amounts Rs.lakhs**

- Recurring expenses on R&D projects	12.06
- Total R&D Expenditure as % of total Turnover	0.40%

FOREIGN EXCHANGE EARNINGS AND OUTGO**Foreign Exchange Earnings**

	<u>Rs. Lakhs</u>
- FOB Value of Export	65.97
- Others	Nil
Total	65.97

Foreign Exchange Outgo

	<u>Rs. in Lakhs</u>
- Imports (CIF Value)	278.86
- Foreign Travel	25.04
- Others	53.71
Total	<u>357.61</u>